

AR07

Monarch
Investments
Limited

54th
Annual
Report
1975





Directors and Officers

R. A. Wykes*

President

C. J. Parsons, C.A.*

Executive Vice-President

A. K. Leitch, D.F.C.*

Vice-President and Secretary

T. Ralph*

G. E. W. Winship*

Vice-President

R. E. Aldred, F.I.Q.S., F.I.O.B.

Deputy Chairman, Taylor Woodrow Limited

G. Drummond Birks

President,

Henry Birks & Sons Limited

J. S. Farquharson, Q.C.

Partner, McMillan, Binch, Solicitors

G. E. Jackson

Senior Vice-President,

Reed, Shaw, Stenhouse Limited

D. F. Johnstone

Property Investment Manager,

The Standard Life Assurance Company

N. J. Notley

Sir Frank Taylor, D.Sc. (Hon.), F.I.O.B.

Managing Director,

Taylor Woodrow Limited

Solicitors

McMillan, Binch

20 King Street West, Toronto

Auditors

Peat, Marwick, Mitchell & Co.

Commerce Court West, Toronto

Coopers and Lybrand

145 King St. West, Toronto

Bankers

The Toronto-Dominion Bank

King and Bay Streets, Toronto

Bank of Montreal

Market Square Branch, London

Transfer Agents

Canada Permanent Trust Company

20 Eglinton Avenue West

Toronto, Ontario M4R 2E2

455 Granville Street, Vancouver

Debenture Trustee

Royal Trust Company

Royal Trust Tower,

Toronto-Dominion Centre, Toronto

J. O. Saunders

Vice-President

D. R. Wilson, C.A.

Treasurer

Monarch Investments Limited

To our Shareholders

Once again your Company has broken its own record in volume and profit.

Your Directors are pleased to present to you the Financial Results for the fiscal year ended December 31, 1975 with Audited Financial Statements reported on by Peat, Marwick, Mitchell & Co. These include a Consolidated Balance Sheet, Consolidated Statement of Earnings and Retained Earnings and Consolidated Statement of Changes in Financial Position.

Financial Statements

The operating profit for 1975 before depreciation and income tax amounts to \$5,722,175. This compares with the profit for 1974 of \$5,122,662. After depreciation, interest on mortgages, bonds, etc., the corresponding figures of net profit before taxes are \$5,310,101 and \$4,706,127. The net earnings for the year, after taxes and minority interests amount to \$2,812,441 as compared with \$2,308,484 for 1974.

OUR PROJECTS

Heron's Hill, Willowdale

We have decided not to commence the next phase of Heron's Hill office complex until the present over-supply of office space in Metropolitan Toronto has been reduced. A large portion of the vacancy exists in the vicinity of the Don Valley Parkway/401 interchange. Our existing office building remains fully leased.

42-48 Charles Street East, Toronto

This building has developed a small amount of vacant space as a result of lease renewals which materialised during the year. The whole of the Bloor-Yonge area is showing a large vacancy rate, but we believe our building should be back to a fully leased position in the early part of this year.

Kipling Heights Shopping Centre, Etobicoke

Trading activity in this Shopping Centre is now beginning to settle down after the renovations, which were completed in early 1975. All vacant stores have been leased and merchants are reporting an improved volume of business. There are still a number of minor tenant changes we wish to make to improve the balance of the Centre in the next few years.

Eglinton Square Shopping Centre, Scarborough

This Shopping Centre has continued to show an increasing volume, in spite of the competition from additional centres within its trading area. During the year we have re-negotiated a number of leases at improved rentals and we have also undertaken a number of significant changes to the building to keep it up to date and operating in an efficient manner.

Chartwell Shopping Centre, Scarborough

This Shopping Centre is fully leased and is showing an increased volume of business in the year as a whole. As can be expected, there was a slight diminishing of sales as a result of a major shopping centre opening in the vicinity, but this should not prove to be a long term problem.

Apartments, Toronto

The apartments have continued at a low rate of vacancy and we have undertaken a number of improvements during the year. The advent of rent control will undoubtedly mean that our Company will not seek to employ any more of its funds in the residential rental field as they will be better employed in other aspects of our business.

MONARCH CONSTRUCTION LIMITED

Chartwell, Scarborough

The popularity of this subdivision with the buying public continues at a high level. All our products — condominium townhouses, street townhouses, semi-detached and detached houses with sales prices covering a spread from \$55,000 to in excess of \$94,000 have sold well. Because we have this spread and can maintain it in a flexible manner, we are confident that sales, which were rather slow in January should attain as a minimum the 1975 level of activity in the current year.

During the year we have formed a new development group in our house building organisation — Heron's Hill Homes. This division of Monarch Construction Limited has been formed to produce more moderate priced housing in the Scarborough area and has commenced construction on a group of contemporarily styled semi-detached and street townhouses.



R. A. Wykes, T. Ralph and R. E. Aldred on a site visit with Martin Shakespeare, Project Manager at London, Ontario. The Southall model of 1,780 sq. ft. in background sells for approximately \$58,000.

Monarch Investments Limited

Dundas, Ontario

This small, but attractive area, is virtually sold out and negotiations are in progress with the Municipality to proceed with a further phase.

Unionville, Ontario

Work by the Municipality on a temporary addition to the sewage disposal plant and local trunk sewer will commence in the near future. We have committed ourselves to a share in the cost of this trunk and have received in return, an undertaking from the Municipality that 400 residential units on our land can discharge into it.

Kitchener/Waterloo, Ontario

The Beechwood Subdivision continues to move ahead, but somewhat more slowly than we had hoped. However, as a means of becoming established in the area, and gaining local experience, it has been a very worthwhile venture.

Negotiations continue on the Highland West lands and we hope to have a small area under construction in the near future.

Burlington, Ontario

We have been unable to bring about much change in the status of this land. It now appears that development might be delayed until 1980 because of current no-growth public sentiment. However, there is a real need for more homes at reasonable prices in Burlington and our lands are best suited to providing them with the minimum cost and impact on the existing community.

St. Catharines, Ontario

It now appears we may get a small portion of this land on the market in the near future.

Doon-Kitchener, Ontario

This is a joint venture with Buildevco, a prominent developer in the area. We are making better progress than anticipated, although there is still a long way to go. An imaginative plan has been drawn which seems to find favour with the Municipality.

Industrial Development

Following the successful development of six completed projects since the inception of our Industrial Department, the demand for custom plants in the last few months has virtually dried up. However, our team has shown its versatility by switching to other parts of our activities. We are ready to take advantage of the market when it comes back to normal.

MONARCH CONSTRUCTION — WESTERN DIVISION — London

During the year, Monarch Construction (Western) Limited

which was operating in the London, Ontario area, was merged with Monarch Construction Limited in an effort to simplify our corporate structure and effect some savings. The Division had a record year — a fact of which our Team in the field is justly proud.

MONARCH INVESTMENTS — EASTERN DIVISION — Montreal

The sales of our products in Kirkland and Pointe Claire have been slow. However, we have a large acreage of land in Vaudreuil where we intend to start a subdivision of low priced homes in the middle of this year. Indications are that there is a good market for this type of product in the area and that the time is now ripe to commence. We are now underway with the first phase of development in Beacon West, which is a prestige subdivision adjoining the Beaconsfield Golf Club.

TERMINAL TOWERS, Hamilton

Sales of the retailers in this development showed a significant improvement during the year and a number of leases were re-negotiated. The rate of growth of the hotel slowed down, due to a general recession in the hotel industry, but we have obtained improved rentals in the office building and the apartments have continued with a low rate of vacancy.

MONTROW REALTY LIMITED

This Company is the management arm of the Monarch Group and during the period under review has operated on a profitable basis giving a high level of service to our property investments.

GENERAL

Government, both Federal and Provincial, continue to meddle with our Industry and hamper its efficiency. Last year we mentioned the non-deductability of carrying charges from other income, The Ontario Land Corporation, The Land Speculation Tax Act and The Land Transfer Tax Act.

To this has been added rent controls, and ever increasing requirements by the Ministry of the Environment. We also have the negative controls of the Central Ontario Lakeshore Urban Complex Report.

Then there is the matter of the Anti-Inflation Act. At time of writing, it is still not clear how the land development and home building industry will be affected. Controlled we will undoubtedly be, but in what manner we cannot say. There have been many meetings between Government and the Industry in which Officers of your Company have taken part and it is hoped that amended Regulations, when we get them, will allow the Industry to continue to fulfill its purpose of keeping Canadians the best housed in the world.



Controller Joyce Trimmer of the Borough of Scarborough chats with John Saunders, Vice President of Construction and Colin Parsons, Executive Vice President at the opening of a new line of model homes.



One of the larger homes in the Spring Creek Valley Project. This house which backs on to the Sulphur Creek ravine is 2,300 sq. ft. in finished living area and sells for approximately \$90,000.



The Canadian Head Office of Elizabeth Arden of Canada Limited in Chartwell.

Construction underway



The company symbol represents teamwork in action which is carried out by all members in all conditions of work in good or bad weather.



We believe a sensible Anti-Inflation Program is necessary and will do our best to make one work, but we would warn Government that too restrictive a program could result in land not being brought to market, with adverse effects on prices when controls cease. The Industry has told Government that while the Program is in being, it should take the necessary steps to ensure that at the end we have a more than adequate supply of serviced land coming to market, so that prices will stabilise at a reasonable level.

There seems little doubt that the net effect of the measures mentioned above has been to inhibit land development companies from seeking out new land with which to replenish their inventories and that the effects of this will be felt in a few years' time. Monarch is fortunate in having a satisfactory amount of well located land.

Investment in all forms of real estate has been adversely affected by these measures and rent controls will ensure very little participation by private enterprise in residential rental property. We certainly would not contemplate such investment whilst the one sided effects of rent controls and the Landlord and Tenants Act are in being.

Where will it all end?

Certainly it is all very inflationary and needs tackling in a positive manner to get us back on the rails. One is forced to the conclusion over years of dealing with Government Departments that our elected representatives have now lost control of the civil service and bureaucracy reigns supreme.

We say very sincerely to our Governments:— Create the environment where we can work efficiently — put in plenty of trunk services — deal with municipalities which resist growth and we will do the rest. There is no need for subsidies to purchasers and all such artificial incentives. The industry — Land Developers, Builders, Sub-Trades, Lending Institutions, Architects, Engineers, can produce the homes without any other aid.

The problems of the "no-growth" groups and Councils are still with us and this is causing shortages in supply which in turn keeps prices high. It is ironic that whilst our Industry is being continuously frustrated in its attempt to

produce more serviced land and homes, it is at the same time being penalised by the Federal Government on the grounds that it is deliberately withholding land from the market.

It seems most unfair that many people desirous of owning a home cannot find one at a reasonable price and have no vote in the areas where homes could be provided. No one speaks for them, while there are many groups speaking noisily against them. We suggested in last year's report that this was an infringement of their rights as Canadians and we again express that view.

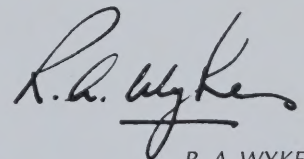
In order to succeed in our industry one must employ optimism and persistence together with hard work. Our officers, directors and team members have those characteristics and we view the future with confidence. All have made a maximum effort this year and our sincere thanks are due to them.

Once more, we thank our Bankers, Professional Associates, Suppliers and Sub-Contractors for the part they have all played in a very successful year.

During the year Mr. John S. Farquharson, Q.C. and Mr. Tom Ralph were elected Directors of your Company. Mr. Farquharson is a Partner in the law firm of McMillan Binch, which has handled our affairs for many years, whilst Mr. Ralph has been a Director of your subsidiary companies, Monarch Construction (Western) Ltd. and Monarch Construction Ltd. for many years. Both these gentlemen bring a wealth of experience and knowledge to your Board.

Finally, I would like to thank my fellow Directors for the help and guidance they have continued to give me. One of the joys of business life is the friendships that are made along the way.

March 4, 1976



R. A. WYKES
President

Monarch Investments Limited

and Subsidiary Companies

Consolidated Balance Sheet

December 31, 1975
with comparative figures for 1974

Assets	1975	1974
Cash (including interest bearing deposits with bankers 1975 — \$1,800,000; 1974 — \$1,505,000)	\$ 2,126,115	\$ 1,655,781
Accounts receivable	558,721	734,080
Mortgages receivable (note 2)	823,797	1,108,495
Inventory of land, development costs and construction in progress (notes 1d and 3)	38,887,641	39,097,547
Investment properties:		
Buildings and equipment, at cost	23,828,927	23,408,290
Less accumulated depreciation (note 1f)	4,756,209	4,433,681
	\$19,072,718	\$18,974,609
Land, at cost	2,047,784	1,970,734
	\$21,120,502	\$20,945,343
Other assets	406,412	485,307
	\$63,923,188	\$64,026,553

On behalf of the Board:
C. J. PARSONS, Director
G. E. JACKSON, Director

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity

	1975	1974
Bank indebtedness secured by assignment of amounts receivable	\$ 445,113	\$ 990,236
Accounts payable and accrued liabilities	5,282,948	4,249,332
Mortgage advances on construction in progress	2,240,299	1,033,915
Income tax payable	2,041,771	1,296,072
Deferred profit relating to land sales (note 1c)	—	242,824
Long-term debt:		
Mortgages payable (note 4)	25,941,458	26,628,186
Other (note 5)	9,494,323	13,806,690
	\$35,435,781	\$40,434,876
Deferred income taxes	865,500	823,500
Minority interest	587,253	531,593
Shareholders' equity:		
Capital stock (note 6):		
Common shares without par value.		
Authorized 2,754,180 shares; issued 2,121,230 shares	3,820,892	3,820,892
General reserve	2,000,000	2,000,000
Retained earnings	11,203,631	8,603,313
	\$17,024,523	\$14,424,205
	\$63,923,188	\$64,026,553

Auditors' Report

We have examined the consolidated balance sheet of Monarch Investments Limited and subsidiary companies as at December 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of the company and its wholly-owned subsidiaries included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario.
February 17, 1976

We have relied on the report of the auditors who have examined the financial statements of the partially-owned subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Monarch Investments Limited

and Subsidiary Companies

Consolidated Statement of Earnings and Retained Earnings

Year Ended December 31, 1975
with comparative figures for 1974

	1975	1974
Gross operating revenue:		
Land development and construction (note 1c)	\$21,065,234	\$17,176,651
Investment properties	5,228,195	4,591,305
Interest and sundry revenue	670,563	508,764
	\$26,963,992	\$22,276,720
Expenses:		
Cost of land and houses	\$15,669,783	\$11,485,718
Property operating expenses	2,272,672	2,571,903
Depreciation (note 1f)	412,074	416,535
Interest (note 8)	1,527,663	1,344,722
General and administrative expenses	1,771,699	1,751,715
	\$21,653,891	\$17,570,593
Earnings before income tax and minority interest	\$ 5,310,101	\$ 4,706,127
Income tax	2,442,000	2,355,000
Net earnings before minority interest	\$ 2,868,101	\$ 2,351,127
Minority interest in earnings of a subsidiary	55,660	42,643
Net earnings for the year	\$ 2,812,441	\$ 2,308,484
Retained earnings at beginning of year	8,603,313	6,506,932
	\$11,415,754	\$ 8,815,416
Dividends paid	212,123	212,103
Retained earnings at end of year	\$11,203,631	\$ 8,603,313
Earnings per share calculated on weighted average number of shares outstanding:		
Basic	\$ 1.33	\$ 1.09
Fully diluted	\$ 1.27	\$ 1.05

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1975
with comparative figures for 1974

	1975	1974
Funds provided:		
From operations:		
Net earnings	\$ 2,812,441	\$ 2,308,484
Add (deduct) items not affecting funds:		
Depreciation	412,074	416,535
Deferred income taxes	42,000	(420,500)
Deferred profit on uncollected land sales	(242,824)	123,074
Minority interest in earnings of subsidiary	55,660	42,643
Gain on disposal of investment properties	(332,278)	(53,351)
Funds provided from operations	\$ 2,747,073	\$ 2,416,885
Issue of capital stock	—	7,776
Collection of mortgages receivable	527,599	1,813,791
Long-term borrowings	1,446,502	2,874,021
Proceeds on sale of investment properties	598,983	91,773
Transfers from undeveloped land	1,046,207	360,180
Total funds provided	\$ 6,366,364	\$ 7,564,426
Funds used:		
Sales financed by mortgages	\$ 242,921	\$ 657,489
Repayments of long-term debt	6,445,597	1,313,124
Expenditure on investment properties	853,928	2,985,810
Dividends paid	212,123	212,103
Purchase of undeveloped land	51,712	610,348
Carrying costs on undeveloped land (net)	669,586	1,628,619
Total funds used	\$ 8,475,867	\$ 7,407,493
Increase (decrease) in funds	\$ (2,109,503)	\$ 156,933
Represented by:		
Funds at beginning of year (note 1g)	\$ 3,571,772	\$ 3,414,839
Funds at end of year (note 1g)	1,462,269	3,571,772
	\$ (2,109,503)	\$ 156,933
Funds provided from operations — per share, calculated on weighted average number of shares outstanding	\$ 1.30	\$ 1.14

See accompanying notes to consolidated financial statements.

Monarch Investments Limited

and Subsidiary Companies

Notes to Consolidated Financial Statements

December 31, 1975

1. Principles of Consolidation and Accounting Policies:

The accounting policies of the company conform with accounting principles generally accepted in Canada. Details of significant accounting policies follow:

(a) The accounts of all the company's subsidiaries have been included and are as follows: Monarch Construction Limited (including Monarch Construction (Western) Limited amalgamated in 1975), Montrow Realty Limited, (both wholly-owned) and Monarch Property Developments Limited (partially owned). All material intercompany transactions have been eliminated upon consolidation.

(b) Advances to a joint venture for land development have been consolidated in the financial statements on a proportionate line by line basis. In 1974 and prior years such advances were included in inventory on a net basis. The 1974 figures provided for comparative purposes have been restated to conform with the presentation adopted in 1975.

(c) The companies take up income on land sales on the basis of cash received after such receipts exceed 15% of the sales price. Where part of the consideration represents mortgages receivable, the total consideration is included in gross revenue and the related gross profit is deferred, to be taken into income, after deducting the related income taxes, as the mortgages are liquidated. Income arising from the disposition of land under agreements for sale is recognized in the companies' accounts only to the extent of cash received after such receipts exceed 15% of the total sales price.

(d) Land, development costs and construction in progress are carried at the lower of cost and estimated realizable value. The companies add to the original cost of undeveloped land carrying charges including realty taxes, professional fees and mortgage interest. Carrying costs are reduced by rentals received on undeveloped land.

(e) Interest, other than that relating to development of investment properties and land is charged to current operations. Interest relating to development of investment properties is included in the cost of the property until construction is completed.

(f) Depreciation of investment properties has been provided using the following methods:

Net book value
(000 omitted)

(i) Properties acquired or developed
in 1969 and subsequent years —

a sinking fund method using a 5% rate by which the cost will be amortized over the estimated useful life of 40 years in amounts increasing year by year. \$14,576

(ii) Buildings acquired between 1959 and 1969 — a straight-line method by which the cost will be amortized over the estimated useful life of 40 years by equal annual charges. 2,158

(iii) Buildings acquired prior to 1959 — a straight-line method by which the undepreciated cost at December 31, 1970 will be amortized over the estimated remaining useful lives at that time (12 to 27 years). 2,182

(iv) Equipment — a straight-line method by which the cost is written off over three to five years. 157
\$19,073

(g) For purposes of the statement of Changes in Financial Position the term "funds" is considered to relate to the following accounts:

	1975	1974
	(000 omitted)	
Cash	\$ 2,126	\$ 1,656
Accounts receivable	559	734
Other assets	406	485
Land under development and construction in progress	8,381	8,266
	<u>\$11,472</u>	<u>\$11,141</u>
Less:		
Bank indebtedness	445	990
Accounts payable and accrued liabilities	5,283	4,249
Mortgage advances on construction in progress	2,240	1,034
Income taxes payable	2,042	1,296
	<u>\$10,010</u>	<u>\$ 7,569</u>
Total funds	<u>\$ 1,462</u>	<u>\$ 3,572</u>

2. Mortgages Receivable:

Mortgages receivable bear interest at rates ranging from 6¾ % to 12¾ % and fall due as follows:

	1975	1974
	(000 omitted)	
	\$ —	\$ 484
	15	5
	62	72
	<u>515</u>	<u>515</u>

1975
1976
1977
1978

1979	40	29
1980	146	3
1981 and later	46	—
	<u>\$ 824</u>	<u>\$ 1,108</u>

3. Inventory:

Land, development costs and construction in progress comprise the following (see note 1d):

	1975	1974
	(000 omitted)	(000 omitted)
Undeveloped land	\$30,507	\$30,831
Land under development including development costs	4,763	4,998
Construction in progress	3,618	3,268
	<u>\$38,888</u>	<u>\$39,097</u>

4. Mortgages Payable:

Mortgages payable bear interest at rates ranging from 4% to 11¾% and fall due as follows:

	1975 (000 omitted)	1974 (000 omitted)
Investment Properties	Land Held for Development	Total
1975	\$ —	\$ —
1976	232	1,000
1977	214	1,301
1978	235	2,229
1979	244	2,272
1980	269	3,508
1981 and later	8,552	5,885
	<u>\$9,746</u>	<u>\$16,195</u>
		<u>\$25,941</u>
		<u>\$26,628</u>

5. Other Long-Term Debt:

	1975	1974
	(000 omitted)	(000 omitted)

Due by the Company:

First Mortgage Bonds — 6¾% due \$52,000 annually with balance payable October 1, 1979	\$ 228	\$ 280
Sinking Fund Debentures, Series A — 8% issued February 1, 1973 secured on shares of subsidiaries and by a floating charge on all other assets of company; sinking fund payments of \$125,000 annually required 1978 to 1992 with balance due February 1, 1993	2,500	2,500

Due by Subsidiaries:

First Mortgage Bonds — repayable in equal monthly instalments combining principal and interest to 1998:

Interest at 7%	4,929	5,020
Interest at 8%	1,837	1,867
Sinking Fund Debentures — 7% due May 1, 1975	—	140
Term Bank Loan — due on demand but payment expected by bank 1975 to 1980 with interest at 1½% over prime rate; secured on certain land held for future development	—	4,000
	<u>\$ 9,494</u>	<u>\$13,807</u>

6. Shares Reserved for Stock Options and Warrants:

(a) At December 31, 1975 options covering 27,200 common shares are outstanding at \$6.48 per share exercisable to 1980.

(b) At December 31, 1975 purchase warrants for 124,600 common shares are outstanding at \$9.00 per share exercisable on or before February 1, 1978.

7. Contingent Liabilities:

The company and certain subsidiaries are contingently liable:

(a) in respect of first mortgages assumed by purchasers of properties sold, and

(b) in respect of joint venture obligations (almost entirely mortgages on land for development) approximating \$1,350,000.

8. Interest Expense:

	1975	1974
	(000 omitted)	(000 omitted)
On long-term debt	\$3,126	\$3,050
On other debt	26	25
	<u>\$3,152</u>	<u>\$3,075</u>
Charged to land held for development	1,624	1,730
	<u>\$1,528</u>	<u>\$1,345</u>

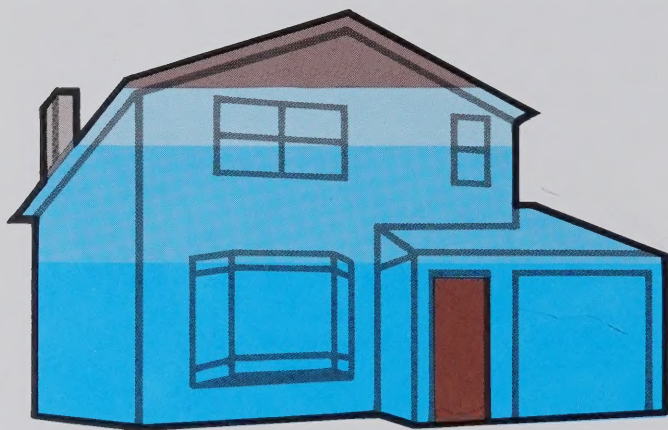
9. Supplementary Information:

The aggregate direct remuneration paid in 1975 to directors and senior officers of the company, as defined by The Business Corporations Act (Ontario), was \$272,000, (1974 — \$270,300).

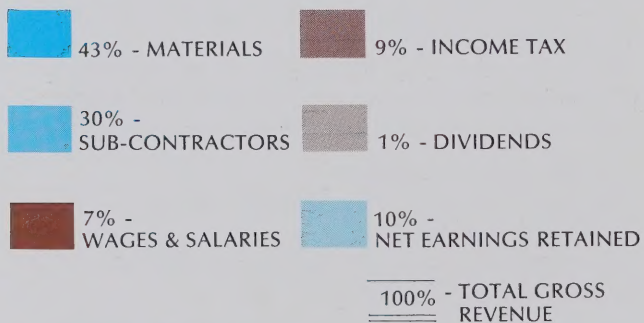
10. Anti-Inflation Legislation:

The company is subject to the Anti-Inflation Act and regulations thereunder.

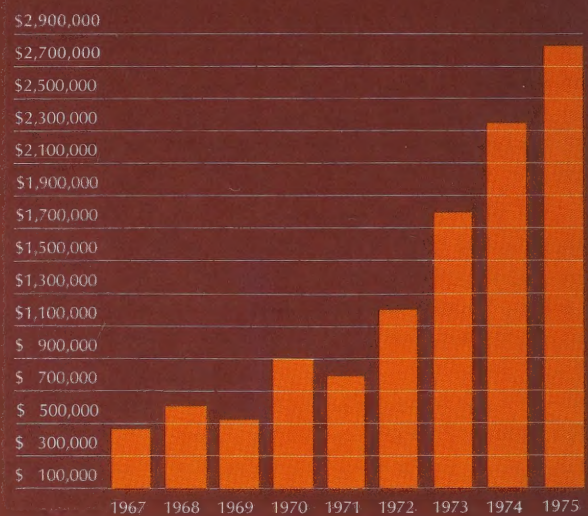
Monarch Investments Limited



Our gross revenue in 1975 was distributed in this way . . .



Net Earnings After Income Taxes 1967 to 1975

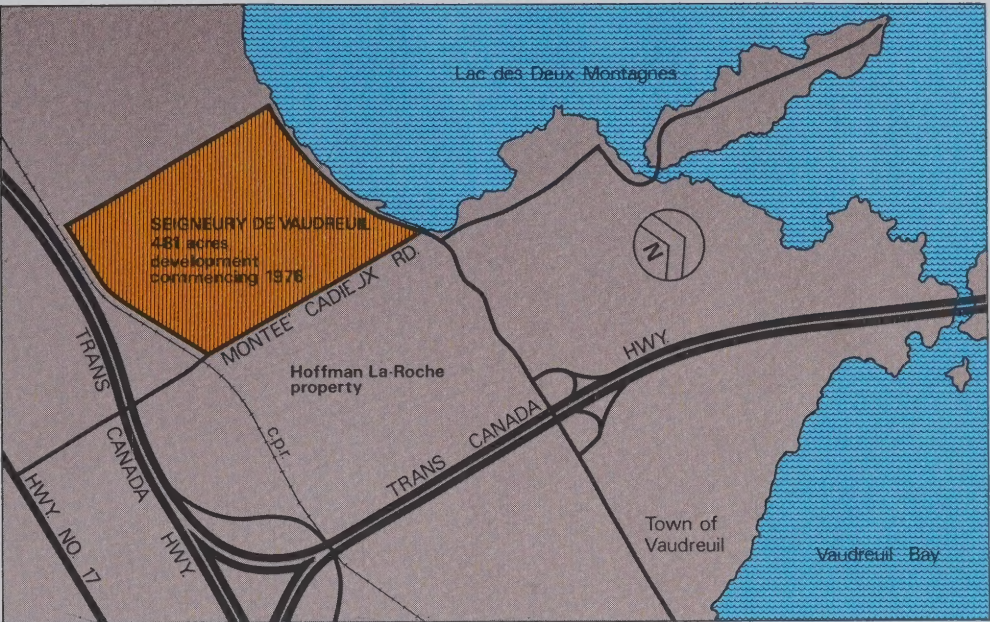


Plymouth Tool and Stamping Limited — their new 35,000 sq. ft. premises in Chartwell Industrial Park.

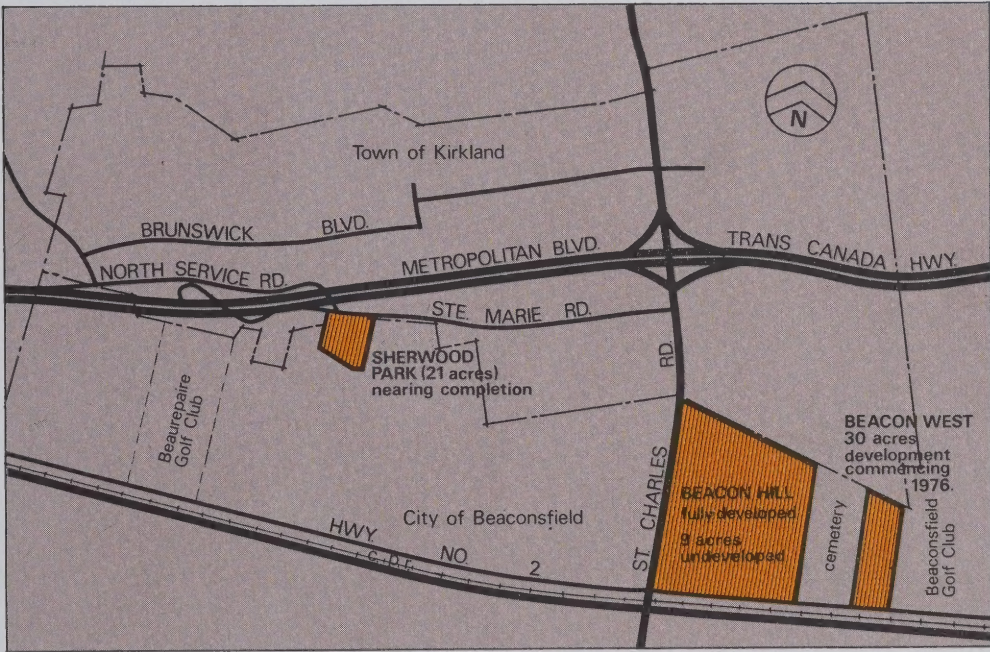


Monarch's line of single family detached houses in Scarborough, fenced and floodlit for additional security and sales impact.

VAUDREUIL
LANDS



MONTREAL
LANDS



ST. CATHARINES
LANDS



